

SECRETARIAT DISSEMINATION

CLASSIFIED MESSAGE

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NO.

25 SEP 70 CITE SANTIAGO

IMMEDIATE DIRECTOR

25 SEP

FOR UNDERSEC JOHNSON FROM AMB KORRY

1. I KNOW THAT FREI ASSUMES THE US WILL SUPPORT HIM; THAT HAS BEEN MADE PERFECTLY CLEAR. THEREFORE THERE IS NO NEED TO SAY THE OBVIOUS, PARTICULARLY IF IT WERE SAID, IT WOULD EVENTUALLY LEAK AND WE WOULD BE THE SCAPEGOAT MORE CLEARLY DEFINED THAN THE RUMOR CAMPAIGN IS SEEKING TO PAINT US IN ANY CASE. LET ME CITE ONE ILLUSTRATIVE EXAMPLE AS A FURTHER CLARIFICATION OF PART I PARA 5 OF SANTIAGO SENT YESTERDAY. I AM NOW CERTAIN THAT FREI AND PEREZ-ZUJOVICH HAVE HAD A FALLING OUT OF SOME KIND AND THAT PEREZ INFORMED HIS CO-POLITICAL WORKERS THAT THE US HAD OFFERED MONEY. AS SOON AS I HAD WORD OF THIS RUMOR I CALLED RAUL TRONCOSO, MINSTATE AT THE MONEDA. ALTHOUGH CABINET MEETING WAS TAKING PLACE THEN (WEDNESDAY AFTERNOON) HE IMMEDIATELY CALLED PEREZ WHO CALLED ME TO EMPHASIZE THAT HE HAD SAID IT THE OTHER WAY ROUND---THAT HIS CO-WORKERS HAD BEEN SEEKING

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Approved for Release
July 2000

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PAGE 2 SANTIAGO

MONEY FROM THE EMBASSY. IN FACT I HAVE SOME GOOD REASON TO BELIEVE

IN ANY EVENT,
AND MUCH MORE SIGNIFICANT,

FREI LEFT THE CABINET MEETING TEN MINUTES AFTER MAY CALL,
GOT IN TOUCH WITH THOSE SAME CO-WORKERS WHO HAD MET WITH PEREZ
TO REQUEST THAT THEY CONTINUE THEIR EFFORTS TO WIN THE JUNTA.

2. AS FOR THE MILITARY, THEY ARE GETTING THE MESSAGE FROM
OSSA AND OTHERS THAT US MILAID WILL BE CUT IF ALLENDE HAS HIS
PROGRAM. THAT IS A MUCH MORE EFFECTIVE MESSAGE THAN AN ATTEMPT TO
BUY THEM WITH THE MEANINGLESS PROMISE OF "CONTINUED" MAP
PROGRAMS WHEN THE LATTER HAVE BEEN REDUCED ALMOST TO THE VANISHING
POINT. (I UNDERSTAND THAT TOTAL MAP FOR LA HAS BEEN REDUCED FROM
\$77 MILLION IN 1967 TO ABOUT \$7 MILLION THIS YEAR AND THAT WE
CAN PLAN HERE ON LEVEL OF LESS THAN \$500 THOUSAND IN FUTURE.)
THE MILITARY WILL REACT MUCH MORE TO THE NEGATIVES THAN TO
ANY POSITIVES. MOREOVER I DO NOT WISH TO GET INTO THE GAME
OF TRYING TO BUY THEM OFF SINCE THE EXPOSURE FACTOR IN THIS
LOOSE-TONGUED SOCIETY IS VERY GREAT. THEY WOULD RESENT WHAT THEY

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PAGE 3 SANTIAGO

CONSIDER BRIBERY AND THEY WOULD REACT NEGATIVELY TO IT. THEY ASSUME THAT THERE WILL BE US MILAID EVEN IN THE EVENT OF AN ALLENDE GOVT WITH "GUARANTIES". FOR THE FOREGOING REASONS I HAD WANTED MORE NEGATIVES SUCH AS THE CANCELLATION OF VISITS TO UNDERSCORE THE BLEAK FUTURE.

3. I DO NOT BELIEVE FREI HAS ANY REALISTIC EXPECTATIONS RE THE UNSYG AND I BELIEVE THIS GIMMICK TO BE A THAT WAS SWALLOWED LONG AGO BY THE CHILEAN AMB TO THE UN, PINERA, A SCREWBALL BY ANY DEFINITION.

4. ONE NEW ITEM. I HAVE SLEPT ON MY PROPOSAL OF LAST NIGHT RE (PARA 14D OF SANTIAGO) AND HAVE DECIDED TO REVERSE FIELD. IN DEALING WITH THE SHORTER-TERM PROBLEM OF STOPPING ALLENDE, IT WOULD BE ADVANTAGEOUS FOR THE COMPANY TO HOLD FIRM TO ITS CURRENT OFFER OF A 38.5 PER CENT INCREASE IN WAGES; I BELIEVE THE GOC WOULD SUPPORT THE TOUGHER LINE SINCE THEY WOULD LIKE NOTHING MORE THAN A STRIKE AT THIS POINT. UNIDAD POPULAR ORDERS ARE TO AVOID STRIKES AT ANY COST. I WOULD WELCOME THE ALLENDE CAMP TELLING THE WORKERS THAT THEIR DEMANDS OF MORE THAN 60 PER CENT ARE EXCESSIVE AND THAT THEY SHOULD BE

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PAGE 4 SANTIAGO

"REASONABLE". I WOULD EXPECT THAT THE TOUGH-MINDED MINERS WOULD BE SPLIT WIDE OPEN AND THAT LONG OR SHORT TERM, SUCH A DEVELOPMENT WOULD LEAVE DEEP SCARS. I HAVE TALKED TO MY FRIEND _____ AND STATED THE HYPOTICTICAL ADVANTAGES OF PLAYING HARD OR SOFT. I THINK HE WILL RECOMMEND THE HARD APPROACH TO HIS COMPANY. HOWEVER _____ HAS A TRADITIONAL RECORD OF DOING THE WRONG THING AND I GUESS WOULD PREFER THE SOFT APPROACH. THEREFORE IF A BUSINESS INTERMEDIARY SUCH AS THE ONE I SUGGESTED COULD BE PROMPTLY LOCATED HE COULD DELIVER THE SUGGESTION TO _____

5. IN THAT CONNECTION _____

ESSO IS DEMANDING PROMPT PAYMENT FROM GENERAL TIRE FOR A VERY LARGE OUTSTANDING BILL. THEY WILL CEASE DELIVERIES OF THE RAW MATERIAL MONDAY IF THE BILL IS NOT PAID, EITHER IN KIND (TIRES FOR THEIR DEALERS) OR IN CASH. ESSO BELIEVES THE PLANT MIGHT BE FORCED TO SHUT BY TUESDAY.

6. I HAVE SPOKEN AGAIN THE _____ HERE AND ASKED WHY HE HAS FAILED TO FULFILL THE COMMITMENT OF HIS _____ WHO WAS RECENTLY HERE RE _____

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AND WHY THEY ARE PUTTING [REDACTED] TO THE WALL. I TOLD HIM I
WOULD NOT LIKE TO APPRISE THE WHITE HOUSE OF THIS STRANGE ACTION
THAT COULD ONLY HAVE THE EFFECT OF MUZZLING [REDACTED]

[REDACTED] HE SAID HE WOULD PROMPTLY CHANGE
HIS TUNE [REDACTED]

[REDACTED] US EXPOSURE WAS SO GREAT AND THAT I INTENDED
TO COMMUNICATE THIS EQUALLY STRANGE SYMPTOM TO THE ATTENTION
OF THE WHITE HOUSE. HE SAID HE WOULD PROMPTLY RECONSIDER THE
MATTER.

POST-SCRIPT: DATE FOR STRIKE DECISION FOR ANACONDA IS
MIDNIGHT SEPT 30 ALTHO FEW DAYS OF EXTRA BARGAINING POSSIBLE
IF BOTH REPEAT BOTH PARTIES AGREE. [REDACTED]

C/S Comment: * Under Secry. Johnson Dr. Kissinger message from Amb.

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